HOUSE BILL No. 1003

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1; IC 6-3; IC 6-3.5-6-18.5; IC 6-5.5-8-2; IC 6-6-5-10; IC 12-7-2-91; IC 12-13-7-17; IC 12-13-9-4; IC 12-19.

Synopsis: Property and income tax reduction. Eliminates the authority of a county to impose a property tax levy for the county welfare fund, the county welfare administration fund, and the county family and children's fund. Eliminates the authority of a county to borrow for welfare purposes. Captures the miscellaneous revenue that was used for welfare purposes. Makes conforming amendments. Reduces the minimum annual increase in civil unit maximum general fund levies from 5% to 4%. Limits the maximum civil unit levy increase to 8% instead of 10%. Provides an inventory tax reduction credit for 2000 through 2003. Provides that the credit is 5% for 2000, 15% for 2001, 25% for 2002, and 35% for 2003 of the net property tax liability

(Continued next page)

Effective: January 1, 1999 (retroactive); July 1, 1999; January 1, 2000; March 1, 2001.

Bauer

January 27, 1999, read first time and referred to Committee on Ways and Means.

attributable to inventory. Creates an inventory tax reduction fund for making distributions to counties and transfers $342,000,000 to the fund from the state general fund. Requires the county assessor to determine the assessed value and the county auditor to determine the property tax attributable to inventory. Increases individual and nonchild dependent exemptions by $500 and makes the $500 dependent child exemption permanent beginning with the 1999 taxable year.

Introduced

First Regular Session 111th General Assembly (1999)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type.~~

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~*this style type*~~ reconciles conflicts between statutes enacted by the 1998 General Assembly.

HOUSE BILL No. 1003

A BILL FOR AN ACT to amend the Indiana Code concerning taxation and to make an appropriation.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 6-1.1-18-3 (CURRENT VERSION) IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 3. (a) Except as provided in subsection (b), the sum of all tax rates for all political subdivisions imposed on tangible property within a political subdivision may not exceed:

(1) one dollar and twenty-five cents ($1.25) on each one hundred dollars ($100) of assessed valuation in territory outside the corporate limits of a city or town; or

(2) two dollars ($2) on each one hundred dollars ($100) of assessed valuation in territory inside the corporate limits of a city or town.

(b) The proper officers of a political subdivision shall fix tax rates which are sufficient to provide funds for the purposes itemized in this subsection. The portion of a tax rate fixed by a political subdivision shall not be considered in computing the tax rate limits prescribed in subsection (a) if that portion is to be used for one (1) of the following purposes:

(1) To pay the principal or interest on a funding, refunding, or judgment funding obligation of the political subdivision.

(2) To pay the principal or interest on an outstanding obligation issued by the political subdivision if notice of the sale of the obligation was published before March 9, 1937.

(3) To pay the principal or interest upon:

(A) an obligation issued by the political subdivision to meet an emergency which results from a flood, fire, pestilence, war, or any other major disaster; or

(B) a note issued under IC 36-2-6-18, IC 36-3-4-22, IC 36-4-6-20, or IC 36-5-2-11 to enable a city, town, or county to acquire necessary equipment or facilities for municipal or county government.

(4) To pay the principal or interest upon an obligation issued in the manner provided in IC 6-1.1-20-3 (before its repeal) or IC 6-1.1-20-3.1 through IC 6-1.1-20-3.2.

(5) To pay a judgment rendered against the political subdivision.

~~(6) To meet the requirements of the county welfare fund, the county welfare administration fund, for public welfare services, or the family and children's fund for child services (as defined in IC 12-19-7-1).~~

~~(7)~~ **(6)** To meet the requirements of the county hospital care for the indigent fund.

(c) Except as otherwise provided in IC 6-1.1-19 or IC 6-1.1-18.5, a county board of tax adjustment, a county auditor, or the state board of tax commissioners may review the portion of a tax rate described in subsection (b) only to determine if it exceeds the portion actually needed to provide for one (1) of the purposes itemized in that subsection.

SECTION 2. IC 6-1.1-18-3 (DELAYED VERSION) IS AMENDED TO READ AS FOLLOWS [EFFECTIVE MARCH 1, 2001]: Sec. 3. (a) Except as provided in subsection (b), the sum of all tax rates for all political subdivisions imposed on tangible property within a political subdivision may not exceed:

(1) forty-one and sixty-seven hundredths cents ($0.4167) on each one hundred dollars ($100) of assessed valuation in territory outside the corporate limits of a city or town; or

(2) sixty-six and sixty-seven hundredths cents ($0.6667) on each one hundred dollars ($100) of assessed valuation in territory inside the corporate limits of a city or town.

(b) The proper officers of a political subdivision shall fix tax rates which are sufficient to provide funds for the purposes itemized in this subsection. The portion of a tax rate fixed by a political subdivision shall not be considered in computing the tax rate limits prescribed in subsection (a) if that portion is to be used for one (1) of the following purposes:

(1) To pay the principal or interest on a funding, refunding, or judgment funding obligation of the political subdivision.

(2) To pay the principal or interest on an outstanding obligation issued by the political subdivision if notice of the sale of the obligation was published before March 9, 1937.

(3) To pay the principal or interest upon:

(A) an obligation issued by the political subdivision to meet an emergency which results from a flood, fire, pestilence, war, or any other major disaster; or

(B) a note issued under IC 36-2-6-18, IC 36-3-4-22, IC 36-4-6-20, or IC 36-5-2-11 to enable a city, town, or county to acquire necessary equipment or facilities for municipal or county government.

(4) To pay the principal or interest upon an obligation issued in the manner provided in IC 6-1.1-20-3 (before its repeal) or IC 6-1.1-20-3.1 through IC 6-1.1-20-3.2.

(5) To pay a judgment rendered against the political subdivision.

~~(6) To meet the requirements of the county welfare fund, the county welfare administration fund, for public welfare services, or the family and children's fund for child services (as defined in IC 12-19-7-1).~~

~~(7)~~ **(6)** To meet the requirements of the county hospital care for the indigent fund.

(c) Except as otherwise provided in IC 6-1.1-19 or IC 6-1.1-18.5, a county board of tax adjustment, a county auditor, or the state board of tax commissioners may review the portion of a tax rate described in subsection (b) only to determine if it exceeds the portion actually needed to provide for one (1) of the purposes itemized in that subsection.

SECTION 3. IC 6-1.1-18.5-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 2. (a) For purposes of determining a civil taxing unit's maximum permissible ad valorem property tax levy for an ensuing calendar year, the civil taxing unit shall use the assessed value growth quotient determined in the last STEP of the following STEPS:

STEP ONE: Determine the three (3) calendar years that most immediately precede the ensuing calendar year and in which a statewide general reassessment of real property does not first become effective.

STEP TWO: Compute separately, for each of the calendar years determined in STEP ONE, the quotient (rounded to the nearest ten-thousandth) of the civil taxing unit's total assessed value of all taxable property in the particular calendar year, divided by the civil taxing unit's total assessed value of all taxable property in the calendar year immediately preceding the particular calendar year.

STEP THREE: Divide the sum of the three (3) quotients computed in STEP TWO by three (3).

STEP FOUR: Determine the greater of the result computed in STEP THREE or one and ~~five-hundredths (1.05).~~ **four-hundredths (1.04).**

STEP FIVE: Determine the lesser of the result computed in STEP FOUR or one and ~~one-tenth (1.1).~~ **eight-hundredths (1.08).**

(b) If the assessed values of taxable property used in determining a civil taxing unit's property taxes that are first due and payable in a particular calendar year are significantly increased over the assessed values used for the immediately preceding calendar year's property taxes due to the settlement of litigation concerning the general reassessment of that civil taxing unit's real property, then for purposes of determining that civil taxing unit's assessed value growth quotient for an ensuing calendar year, the state board of tax commissioners shall replace the quotient described in STEP TWO of subsection (a) for that particular calendar year. The state board of tax commissioners shall replace that quotient with one that as accurately as possible will reflect the actual growth in the civil taxing unit's assessed values of real property from the immediately preceding calendar year to that particular calendar year.

SECTION 4. IC 6-1.1-18.5-9.7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 9.7. (a) The ad valorem property tax levy limits imposed by section 3 of this chapter do not apply to ad valorem property taxes imposed under any of the following:

(1) IC 12-16, except IC 12-16-1.
~~(2) IC 12-19-3-3 through IC 12-19-3-7.~~
~~(3) IC 12-19-4.~~
~~(4) IC 12-19-5.~~
~~(5) IC 12-19-7.~~
~~(6)~~ **(2)** IC 12-20-24.

(b) For purposes of computing the ad valorem property tax levy limits imposed under section 3 of this chapter, a county's or township's ad valorem property tax levy for a particular calendar year does not include that part of the levy imposed under the citations listed in subsection (a).

(c) Section 8(b) of this chapter does not apply to bonded indebtedness that **was issued before January 1, 2000, and that** will be repaid through property taxes imposed under IC 12-19.

SECTION 5. IC 6-1.1-20.5 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1999]:

Chapter 20.5. Inventory Tax Reduction Fund

Sec. 1. As used in this chapter, "inventory" has the meaning set forth in IC 6-1.1-3-11.

Sec. 2. As used in this chapter, "net property tax liability on inventory" means the property taxes attributable to inventory that are due and payable as shown on the property tax statement sent to a person after all deductions and credits have been applied under any other statute.

Sec. 3. A credit against a person's net property tax liability on inventory under IC 6-1.1-2 shall be provided under this chapter. The credit is equal to the net property tax liability on inventory multiplied by the following:

(1) Five percent (5%) for property taxes first due and payable in 2000.

(2) Fifteen percent (15%) for property taxes first due and payable in 2001.

(3) Twenty-five percent (25%) for inventory for property taxes first due and payable in 2002.

(4) Thirty-five percent (35%) for inventory for property taxes first due and payable in 2003.

The credit expires after 2003.

Sec. 4. (a) The county assessor shall determine the amount of each property owner's assessed value that is attributable to inventory in the county. Before December 1 of each year the county assessor shall provide the county auditor with the amount of inventory assessed value for each owner.

(b) The county auditor shall compute the amount of property taxes in the county that is attributable to inventory assessed value as reported by the county assessor using the same property tax liability that is used to calculate the property tax replacement credit under IC 6-1.1-21-5 but after deducting the property tax replacement credit.

(c) Before February 1 of each year, each county auditor shall certify to the state board of tax commissioners the amount of inventory credits allowed in that county for that calendar year. The credits shall be determined in the same manner as property tax replacement credits are determined under IC 6-1.1-21 but after deducting the property tax replacement credit.

Sec. 5. The inventory tax reduction fund is established. The fund shall be administered by the treasurer of state. Before July 2, 1999, the treasurer of state shall transfer from the state general fund to the inventory tax reduction fund three hundred forty-two million dollars ($342,000,000). The interest earned on money in the fund shall be credited to the fund.

Sec. 6. (a) Each year the department of state revenue shall allocate from the inventory tax reduction fund an amount equal to the total amount of inventory tax credits that are provided under this chapter for each county for that year in the same manner as the homestead credits are allocated from the property tax replacement fund under IC 6-1.1-21.

(b) Notwithstanding section 3 of this chapter, if the state board of tax commissioners estimates that the amount remaining in the fund to provide credits in 2003 will be less than the amount required to pay a thirty-five percent (35%) credit, the state board of tax commissioners shall estimate the maximum credit that may be provided with the remaining balance. The state board of tax commissioners shall make its estimates so that the credit is the highest percentage reasonably possible without exhausting the fund. The state board of tax commissioners shall provide its estimates to the property tax replacement fund board. The property tax replacement fund board shall review the estimate and approve a final credit percentage for 2003.

Sec. 7. (a) The department shall distribute to each county treasurer from only the inventory tax reduction fund the estimated distribution for that year for the county at the same time and in the same manner as the homestead credit distributions are made under IC 6-1.1-21. The money in the fund is appropriated to make the distributions.

(b) All distributions provided in this section shall be made on warrants issued by the auditor of state drawn on the treasurer of state.

Sec. 8. To the extent it is consistent with this chapter, IC 6-1.1-21 applies with respect to the credit under this chapter.

Sec. 9. This chapter expires January 1, 2004.

SECTION 6. IC 6-1.1-21-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 2. As used in this chapter:

(a) "Taxpayer" means a person who is liable for taxes on property assessed under this article.

(b) "Taxes" means taxes payable in respect to property assessed under this article. The term does not include special assessments, penalties, or interest, but does include any special charges which a county treasurer combines with all other taxes in the preparation and delivery of the tax statements required under IC 6-1.1-22-8(a).

(c) "Department" means the department of state revenue.

(d) "Auditor's abstract" means the annual report prepared by each county auditor which under IC 6-1.1-22-5, is to be filed on or before March 1 of each year with the auditor of state.

(e) "Mobile home assessments" means the assessments of mobile homes made under IC 6-1.1-7.

(f) "Postabstract adjustments" means adjustments in taxes made subsequent to the filing of an auditor's abstract which change assessments therein or add assessments of omitted property affecting taxes for such assessment year.

(g) "Total county tax levy" means the sum of:

(1) the remainder of:

(A) the aggregate levy of all taxes for all taxing units in a county which are to be paid in the county for a stated assessment year as reflected by the auditor's abstract for the assessment year, adjusted, however, for any postabstract adjustments which change the amount of the aggregate levy; minus

(B) the sum of any increases in property tax levies of taxing units of the county that result from appeals described in:

(i) IC 6-1.1-18.5-13(5) and IC 6-1.1-18.5-13(6) filed after December 31, 1982; plus

(ii) the sum of any increases in property tax levies of taxing units of the county that result from any other appeals described in IC 6-1.1-18.5-13 filed after December 31, 1983; ~~plus~~

~~(iii) IC 6-1.1-18.6-3 (children in need of services and delinquent children who are wards of the county);~~ minus

(C) the total amount of property taxes imposed for the stated assessment year by the taxing units of the county under the authority of ~~IC 12-1-11.5 (repealed), IC 12-2-4.5 (repealed)~~ IC 12-19-5 **(before its repeal)** or IC 12-20-24; minus

(D) the total amount of property taxes to be paid during the stated assessment year that will be used to pay for interest or principal due on debt that:

(i) is entered into after December 31, 1983;

(ii) is not debt that is issued under IC 5-1-5 to refund debt incurred before January 1, 1984; and

(iii) does not constitute debt entered into for the purpose of building, repairing, or altering school buildings for which the requirements of IC 20-5-52 were satisfied prior to January 1, 1984; minus

(E) the amount of property taxes imposed in the county for the stated assessment year under the authority of IC 21-2-6 or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(F) the remainder of:

(i) the total property taxes imposed in the county for the stated assessment year under authority of IC 21-2-6 or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(ii) the total property taxes imposed in the county for the 1984 stated assessment year under the authority of IC 21-2-6 or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(G) the amount of property taxes imposed in the county for the stated assessment year under:

(i) IC 21-2-15 for a capital projects fund; plus

(ii) IC 6-1.1-19-10 for a racial balance fund; plus

(iii) IC 20-14-13 for a library capital projects fund; plus

(iv) IC 20-5-17.5-3 for an art association fund; plus

(v) IC 21-2-17 for a special education preschool fund; plus

(vi) an appeal filed under IC 6-1.1-19-5.1 for an increase in a school corporation's maximum permissible general fund levy for certain transfer tuition costs; plus

(vii) an appeal filed under IC 6-1.1-19-5.4 for an increase in a school corporation's maximum permissible general fund levy for transportation operating costs; minus

(H) the amount of property taxes imposed by a school corporation that is attributable to the passage, after 1983, of a referendum for an excessive tax levy under IC 6-1.1-19, including any increases in these property taxes that are attributable to the adjustment set forth in ~~IC 6-1.1-19-1.5(a) STEP ONE or~~ any ~~other~~ law; minus

(I) for each township in the county, the lesser of:

(i) the sum of the amount determined in IC 6-1.1-18.5-19(a) STEP THREE or IC 6-1.1-18.5-19(b) STEP THREE, whichever is applicable, plus the part, if any, of the township's ad valorem property tax levy for calendar year 1989 that represents increases in that levy that resulted from an appeal described in IC 6-1.1-18.5-13(5) filed after December 31, 1982; or

(ii) the amount of property taxes imposed in the township for the stated assessment year under the authority of IC 36-8-13-4; minus

(J) for each participating unit in a fire protection territory established under IC 36-8-19-1, the amount of property taxes levied by each participating unit under IC 36-8-19-8 and IC 36-8-19-8.5 less the maximum levy limit for each of the participating units that would have otherwise been available for fire protection services under IC 6-1.1-18.5-3 and IC 6-1.1-18.5-19 for that same year; ~~minus~~

~~(K) for each county, the sum of:~~

~~(i) the amount of property taxes imposed in the county for the repayment of loans under IC 12-19-5-6 that is included in the amount determined under IC 12-19-7-4(a) STEP SEVEN for property taxes payable in 1995, or for property taxes payable in each year after 1995, the amount determined under IC 12-19-7-4(b); and~~

~~(ii) the amount of property taxes imposed in the county attributable to appeals granted under IC 6-1.1-18.6-3 that is included in the amount determined under IC 12-19-7-4(a) STEP SEVEN for property taxes payable in 1995, or the amount determined under IC 12-19-7-4(b) for property taxes payable in each year after 1995;~~ plus

(2) all taxes to be paid in the county in respect to mobile home assessments currently assessed for the year in which the taxes stated in the abstract are to be paid; plus

(3) the amounts, if any, of county adjusted gross income taxes that were applied by the taxing units in the county as property tax

replacement credits to reduce the individual levies of the taxing units for the assessment year, as provided in IC 6-3.5-1.1; plus

(4) the amounts, if any, by which the maximum permissible ad valorem property tax levies of the taxing units of the county were reduced under IC 6-1.1-18.5-3(b) STEP EIGHT for the stated assessment year; plus

(5) the difference between:

(A) the amount determined in IC 6-1.1-18.5-3(e) STEP FOUR; minus

(B) the amount the civil taxing units' levies were increased because of the reduction in the civil taxing units' base year certified shares under IC 6-1.1-18.5-3(e).

(h) "December settlement sheet" means the certificate of settlement filed by the county auditor with the auditor of state, as required under IC 6-1.1-27-3.

(i) "Tax duplicate" means the roll of property taxes which each county auditor is required to prepare on or before March 1 of each year under IC 6-1.1-22-3.

SECTION 7. IC 6-1.1-29-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 9. (a) A county council may adopt an ordinance to abolish the county board of tax adjustment. This ordinance must be adopted by July 1 and may not be rescinded in the year it is adopted. Notwithstanding IC 6-1.1-17, IC 6-1.1-18, IC 6-1.1-19, ~~IC 12-19-3, IC 12-19-7,~~ IC 21-2-14, IC 36-8-6, IC 36-8-7, IC 36-8-7.5, IC 36-8-11, IC 36-9-3, IC 36-9-4, and IC 36-9-13, if such an ordinance is adopted, this section governs the treatment of tax rates, tax levies, and budgets that would otherwise be reviewed by a county board of tax adjustment under IC 6-1.1-17.

(b) The time requirements set forth in IC 6-1.1-17 govern all filings and notices.

(c) A tax rate, tax levy, or budget that otherwise would be reviewed by the county board of tax adjustment is considered and must be treated for all purposes as if the county board of tax adjustment approved the tax rate, tax levy, or budget. This includes the notice of tax rates that is required under IC 6-1.1-17-12.

SECTION 8. IC 6-3-1-3.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 1999 (RETROACTIVE)]: Sec. 3.5. When used in IC 6-3, the term "adjusted gross income" shall mean the following:

(a) In the case of all individuals, "adjusted gross income" (as defined in Section 62 of the Internal Revenue Code), modified as follows:

(1) Subtract income that is exempt from taxation under IC 6-3 by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 62 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States or for taxes on property levied by any subdivision of any state of the United States.

(3) Subtract one thousand **five hundred** dollars ~~($1,000),~~ **($1,500),** or in the case of a joint return filed by a husband and wife, subtract for each spouse one thousand **five hundred** dollars ~~($1,000).~~ **($1,500).**

(4) Subtract one thousand **five hundred** dollars ~~($1,000)~~ **($1,500)** for:

(A) each of the exemptions provided by Section 151(c) of the Internal Revenue Code;

(B) each additional amount allowable under Section 63(f) of the Internal Revenue Code; and

(C) the spouse of the taxpayer if a separate return is made by the taxpayer, and if the spouse, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.

~~(5) Subtract five hundred dollars ($500) for each of the exemptions allowed under Section 151(c)(1)(B) of the Internal Revenue Code. for taxable years beginning after December 31, 1996, and before January 1, 2001. This amount is in addition to the amount subtracted under subdivision (4).~~

~~(6)~~ **(5)** Subtract an amount equal to the lesser of:

(A) that part of the individual's adjusted gross income (as defined in Section 62 of the Internal Revenue Code) for that taxable year that is subject to a tax that is imposed by a political subdivision of another state and that is imposed on or measured by income; or

(B) two thousand dollars ($2,000).

~~(7)~~ **(6)** Add an amount equal to the total capital gain portion of a lump sum distribution (as defined in Section 402(e)(4)(D) of the Internal Revenue Code), if the lump sum distribution is received by the individual during the taxable year and if the capital gain portion of the distribution is taxed in the manner provided in Section 402 of the Internal Revenue Code.

~~(8)~~ **(7)** Subtract any amounts included in federal adjusted gross income under Internal Revenue Code Section 111 as a recovery of items previously deducted as an itemized deduction from adjusted gross income.

~~(9)~~ **(8)** Subtract any amounts included in federal adjusted gross income under the Internal Revenue Code which amounts were received by the individual as supplemental railroad retirement annuities under 45 U.S.C. 231 and which are not deductible under subdivision (1).

~~(10)~~ **(9)** Add an amount equal to the deduction allowed under Section 221 of the Internal Revenue Code for married couples filing joint returns if the taxable year began before January 1, 1987.

~~(11)~~ **(10)** Add an amount equal to the interest excluded from federal gross income by the individual for the taxable year under Section 128 of the Internal Revenue Code, if the taxable year began before January 1, 1985.

~~(12)~~ **(11)** Subtract an amount equal to the amount of federal Social Security and Railroad Retirement benefits included in a taxpayer's federal gross income by Section 86 of the Internal Revenue Code.

~~(13)~~ **(12)** In the case of a nonresident taxpayer or a resident taxpayer residing in Indiana for a period of less than the taxpayer's entire taxable year, the total amount of the deductions allowed pursuant to subdivisions (3), (4), (5), and (6) shall be reduced to an amount which bears the same ratio to the total as the taxpayer's income taxable in Indiana bears to the taxpayer's total income.

~~(14)~~ **(13)** In the case of an individual who is a recipient of assistance under IC 12-10-6-1, IC 12-10-6-2, IC 12-10-6-3, IC 12-15-2-2, or IC 12-15-7, subtract an amount equal to that portion of the individual's adjusted gross income with respect to which the individual is not allowed under federal law to retain an amount to pay state and local income taxes.

(b) In the case of corporations, the same as "taxable income" (as defined in Section 63 of the Internal Revenue Code) adjusted as follows:

(1) Subtract income that is exempt from taxation under IC 6-3 by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 170 of the Internal Revenue Code.

(3) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 63 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States or for taxes on property

levied by any subdivision of any state of the United States.

(4) Subtract an amount equal to the amount included in the corporation's taxable income under Section 78 of the Internal Revenue Code.

(c) In the case of trusts and estates, "taxable income" (as defined for trusts and estates in Section 641(b) of the Internal Revenue Code) reduced by income that is exempt from taxation under IC 6-3 by the Constitution and statutes of the United States.

SECTION 9. IC 6-3.5-6-18.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 18.5. (a) This section applies to a county containing a consolidated city.

(b) Notwithstanding section 18(e) of this chapter, the distributive shares that each civil taxing unit in a county containing a consolidated city is entitled to receive during a month equals the following:

(1) For the calendar year beginning January 1, 1995, calculate the total amount of revenues that are to be distributed as distributive shares during that month multiplied by the following factor:

Center Township	.0251
Decatur Township	.00217
Franklin Township	.0023
Lawrence Township	.01177
Perry Township	.01130
Pike Township	.01865
Warren Township	.01359
Washington Township	.01346
Wayne Township	.01307
Lawrence-City	.00858
Beech Grove	.00845
Southport	.00025
Speedway	.00722
Indianapolis/Marion County	.86409

(2) Notwithstanding subdivision (1), for the calendar year beginning January 1, 1995, the distributive shares for each civil taxing unit in a county containing a consolidated city shall be not less than the following:

Center Township	$1,898,145
Decatur Township	$ 164,103
Franklin Township	$ 173,934
Lawrence Township	$ 890,086
Perry Township	$ 854,544
Pike Township	$1,410,375
Warren Township	$1,027,721

Washington Township	$1,017,890
Wayne Township	$ 988,397
Lawrence-City	$ 648,848
Beech Grove	$ 639,017
Southport	$ 18,906
Speedway	$ 546,000

(3) For each year after 1995, calculate the total amount of revenues that are to be distributed as distributive shares during that month as follows:

STEP ONE: Determine the total amount of revenues that were distributed as distributive shares during that month in calendar year 1995.

STEP TWO: Determine the total amount of revenue that the department has certified as distributive shares for that month under section 17 of this chapter for the calendar year.

STEP THREE: Subtract the STEP ONE result from the STEP TWO result.

STEP FOUR: If the STEP THREE result is less than or equal to zero (0), multiply the STEP TWO result by the ratio established under subdivision (1).

STEP FIVE: Determine the ratio of:

(A) the maximum permissible property tax levy under IC 6-1.1-18.5 ~~and IC 6-1.1-18.6~~ for each civil taxing unit for the calendar year in which the month falls; divided by

(B) the sum of the maximum permissible property tax levies under IC 6-1.1-18.5 ~~and IC 6-1.1-18.6~~ for all civil taxing units of the county during the calendar year in which the month falls.

STEP SIX: If the STEP THREE result is greater than zero (0), the STEP ONE amount shall be distributed by multiplying the STEP ONE amount by the ratio established under subdivision (1).

STEP SEVEN: For each taxing unit determine the STEP FIVE ratio multiplied by the STEP TWO amount.

STEP EIGHT: For each civil taxing unit determine the difference between the STEP SEVEN amount minus the product of the STEP ONE amount multiplied by the ratio established under subdivision (1). The STEP THREE excess shall be distributed as provided in STEP NINE only to the civil taxing units that have a STEP EIGHT difference greater than or equal to zero (0).

STEP NINE: For the civil taxing units qualifying for a distribution under STEP EIGHT, each civil taxing unit's share equals the STEP THREE excess multiplied by the ratio of:

(A) the maximum permissible property tax levy under IC 6-1.1-18.5 ~~and IC 6-1.1-18.6~~ for the qualifying civil taxing unit during the calendar year in which the month falls; divided by

(B) the sum of the maximum permissible property tax levies under IC 6-1.1-18.5 ~~and IC 6-1.1-18.6~~ for all qualifying civil taxing units of the county during the calendar year in which the month falls.

SECTION 10. IC 6-5.5-8-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 2. (a) On or before February 1, May 1, August 1, and December 1 of each year the auditor of state shall transfer to each county auditor for distribution to the taxing units (as defined in IC 6-1.1-1-21) in the county, an amount equal to one-fourth (1/4) of the sum of the guaranteed amounts for all the taxing units of the county. On or before August 1 of each year the auditor of state shall transfer to each county auditor the supplemental distribution for the county for the year. **For purposes of determining distributions under subsection (b), the state board of tax commissioners shall determine a state welfare allocation for each county calculated as follows:**

(1) For 2000, the state welfare allocation for each county equals the greater of zero (0) or the difference between:

(A) the amount that would be distributed to the taxing unit that is a county under subsection (b), if the property tax levies for the county's county welfare fund, county welfare administration fund, and county family and children's fund that were calculated for 2000 but not imposed because of the repeal of IC 12-9-3, IC 12-9-4, and IC 12-9-7-4 are considered in determining the county unit's distribution; minus

(B) the amount that would be distributed to the taxing unit that is a county under subsection (b) if the property tax levies for the county's county welfare fund, county welfare administration fund, and county family and children's fund that were calculated for 2000 but not imposed because of the repeal of IC 12-9-3, IC 12-9-4, and IC 12-9-7-4 are not considered in determining the county unit's distribution.

(2) For 2001 and each year thereafter, the state welfare allocation for each county equals the greater of zero (0) or the

amount determined under the following formula:

STEP ONE: For 1997, 1998, and 1999, determine the result of:

(A) the property taxes collected by the county in the year for the county's county welfare fund, county welfare administration fund, and county family and children's fund; divided by

(B) the total property taxes collected by all the taxing units in the county in the year.

STEP TWO: Determine the sum of the results determined in STEP ONE.

STEP THREE: Divide the STEP TWO result by three (3).

STEP FOUR: Determine the amount that would otherwise be distributed to all the taxing units in the county under subsection (b) without regard to this subdivision.

STEP FIVE: Determine the result of:

(A) the STEP FOUR amount; multiplied by

(B) the STEP THREE result.

The state welfare allocation shall be deducted from the distributions otherwise payable under subsection (b) to the taxing unit that is a county and shall be deposited in the state general fund.

(b) A taxing unit's guaranteed distribution for a year is the greater of zero (0) or an amount equal to:

(1) the amount received by the taxing unit under IC 6-5-10 and IC 6-5-11 in 1989; minus

(2) the amount to be received by the taxing unit in the year of the distribution, as determined by the state board of tax commissioners, from property taxes attributable to the personal property of banks, exclusive of the property taxes attributable to personal property leased by banks as the lessor where the possession of the personal property is transferred to the lessee; **minus**

(3) in the case of a taxing unit that is a county, the amount that would have been received by the taxing unit in the year of the distribution, as determined by the state board of tax commissioners, from property taxes that:

(A) were calculated for the county's county welfare fund, county welfare administration fund, and county family and children's fund for 2000 but were not imposed because of the repeal of IC 12-9-3, IC 12-9-4, and IC 12-9-7-4; and

(B) would have been attributable to the personal property

of banks, exclusive of the property taxes attributable to personal property leased by banks as the lessor where the possession of the personal property is transferred to the lessee.

(c) The amount of the supplemental distribution for a county for a year shall be determined using the following formula:

STEP ONE: Determine the greater of zero (0) or the difference between:

(A) one-half (1/2) of the taxes that the department estimates will be paid under this article during the year; minus

(B) the sum of all the guaranteed distributions, **before the subtraction of all state welfare allocations under subsection (a),** for all taxing units in all counties plus the bank personal property taxes to be received by all taxing units in all counties, as determined under subsection (b)(2) for the year.

STEP TWO: Determine the quotient of:

(A) the amount received under IC 6-5-10 and IC 6-5-11 in 1989 by all taxing units in the county; divided by

(B) the sum of the amounts received under IC 6-5-10 and IC 6-5-11 in 1989 by all taxing units in all counties.

STEP THREE: Determine the product of:

(A) the amount determined in STEP ONE; multiplied by

(B) the amount determined in STEP TWO.

STEP FOUR: Determine the greater of zero (0) or the difference between:

(A) the amount of supplemental distribution determined in STEP THREE for the county; minus

(B) the amount of refunds granted under IC 6-5-10-7 that have yet to be reimbursed to the state by the county treasurer under IC 6-5-10-13.

For the supplemental distribution made on or before August 1 of each year, the department shall adjust the amount of each county's supplemental distribution to reflect the actual taxes paid under this article for the preceding year.

(d) **Except as provided in subsection (f),** the amount of the supplemental distribution for each taxing unit shall be determined using the following formula:

STEP ONE: Determine the quotient of:

(A) the amount received by the taxing unit under IC 6-5-10 and IC 6-5-11 in 1989; divided by

(B) the sum of the amounts used in STEP ONE (A) for all taxing units located in the county.

STEP TWO: Determine the product of:

(A) the amount determined in STEP ONE; multiplied by

(B) the supplemental distribution for the county, as determined in subsection (c), STEP FOUR.

(e) The county auditor shall distribute the guaranteed and supplemental distributions received under subsection (a) to the taxing units in the county at the same time that the county auditor makes the semiannual distribution of real property taxes to the taxing units.

(f) The amount of a supplemental distribution paid to a taxing unit that is a county shall be reduced by an amount equal to:

(1) the amount the county would receive under subsection (d) without regard to this subsection; minus

(2) an amount equal to:

(A) the amount under subdivision (1); multiplied by

(B) the result determined as follows:

(i) For 2000, determine the sum of the property tax levies for the county's county welfare fund, county welfare administration fund, and county family and children's fund that were calculated for 2000 but were not imposed because of the repeal of IC 12-9-3, IC 12-9-4, and IC 12-9-7-4. Divide that sum by the sum of the total property taxes that were imposed by the county for 2000 plus the sum of the property tax levies for the county's county welfare fund, county welfare administration fund, and county family and children's fund that were calculated for 2000 but were not imposed because of the repeal of IC 12-9-3, IC 12-9-4, and IC 12-9-7-4.

(ii) For 2001 and each year thereafter, determine the result of the property taxes collected by the county in 1997, 1998, and 1999 for the county's county welfare fund, county welfare administration fund, and county family and children's fund, divided by the total property taxes collected by all the taxing units in the county in the year. Divide that sum by three (3).

SECTION 11. IC 6-6-5-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 10. (a) The bureau shall establish procedures necessary for the collection of the tax imposed by this chapter and for the proper accounting for the same. The necessary forms and records shall be subject to approval by the state board of accounts.

(b) The county treasurer upon receiving the excise tax collections shall receipt such collections into a separate account for settlement thereof at the same time as property taxes are accounted for and settled in June and December of each year, with the right and duty of the treasurer and auditor to make advances prior to the time of final settlement of such property taxes in the same manner as provided in IC 5-13-6-3.

(c) The county auditor shall determine the total amount of excise taxes collected for each taxing unit in the county and the amount so collected **(and the distributions received under section 9.5 of this chapter)** shall be apportioned and distributed among the respective funds of each taxing unit in the same manner and at the same time as property taxes are apportioned and distributed. **However, the following apply for purposes of determining distributions under this section:**

(1) For 2000, the state board of tax commissioners shall determine the distribution that would be made to the respective funds of each taxing unit in the county if the property tax levies for the county's county welfare fund, county welfare administration fund, and county family and children's fund that were calculated for 2000 but not imposed because of the repeal of IC 12-9-3, IC 12-9-4, and IC 12-9-7-4 are considered to have been distributed as property taxes. The state board of tax commissioners shall for 2000 determine a state welfare allocation for each county that equals the amount of excise tax that would otherwise be distributed to the county under this section based on the property tax levies for the county's county welfare fund, county welfare administration fund, and county family and children's fund that were calculated for 2000 but were not imposed because of the repeal of IC 12-9-3, IC 12-9-4, and IC 12-9-7-4. The state welfare allocation shall be deducted from the distributions otherwise payable to the civil taxing unit that is a county. The county auditor shall remit the state welfare allocation to the treasurer of state for deposit in the state general fund.

(2) For 2001 and each year thereafter, the state welfare allocation for each county equals the greater of zero (0) or the amount determined under STEP FIVE of the following STEPS:

STEP ONE: For 1997, 1998, and 1999, determine the result of:

(i) the property taxes collected by the county in the year for the county's county welfare fund, county welfare

administration fund, and county family and children's fund; divided by

(ii) the total property taxes collected by all the taxing units in the county in the year.

STEP TWO: Determine the sum of the results determined in STEP ONE.

STEP THREE: Divide the STEP TWO result by three (3).

STEP FOUR: Determine the amount that would otherwise be distributed to all the taxing units in the county under this subsection without regard to this subdivision.

STEP FIVE: Determine the result of:

(i) the STEP FOUR amount; multiplied by

(ii) the STEP THREE result.

The state welfare allocation shall be deducted from the total amount available for apportionment and distribution to taxing units under this section before any apportionment and distribution is made. The county auditor shall remit the state welfare allocation to the treasurer of state for deposit in the state general fund.

(d) Such determination shall be made from copies of vehicle registration forms furnished by the bureau of motor vehicles. Prior to such determination, the county assessor of each county shall, from copies of registration forms, cause information pertaining to legal residence of persons owning taxable vehicles to be verified from his records, to the extent such verification can be so made. He shall further identify and verify from his records the several taxing units within which such persons reside.

(e) Such verifications shall be done by not later than thirty (30) days after receipt of vehicle registration forms by the county assessor, and the assessor shall certify such information to the county auditor for his use as soon as it is checked and completed.

SECTION 12. IC 12-7-2-91 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 91. "Fund" means the following:

(1) For purposes of IC 12-12-1-9, the fund described in IC 12-12-1-9.

(2) For purposes of IC 12-13-8, the meaning set forth in IC 12-13-8-1.

(3) For purposes of IC 12-15-20, the meaning set forth in IC 12-15-20-1.

(4) For purposes of IC 12-17-12, the meaning set forth in IC 12-17-12-4.

(5) For purposes of IC 12-18-4, the meaning set forth in IC 12-18-4-1.

(6) For purposes of IC 12-18-5, the meaning set forth in IC 12-18-5-1.

~~(7) For purposes of IC 12-19-3, the meaning set forth in IC 12-19-3-1.~~

~~(8) For purposes of IC 12-19-4, the meaning set forth in IC 12-19-4-1.~~

~~(9)~~ **(7)** For purposes of IC 12-19-7, the meaning set forth in IC 12-19-7-2.

~~(10)~~ **(8)** For purposes of IC 12-23-2, the meaning set forth in IC 12-23-2-1.

~~(11)~~ **(9)** For purposes of IC 12-24-6, the meaning set forth in IC 12-24-6-1.

~~(12)~~ **(10)** For purposes of IC 12-24-14, the meaning set forth in IC 12-24-14-1.

~~(13)~~ **(11)** For purposes of IC 12-30-7, the meaning set forth in IC 12-30-7-3.

SECTION 13. IC 12-13-7-17 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 17. The part of the care and maintenance of the inmates of the Plainfield Juvenile Correctional Facility and the Indianapolis Juvenile Correctional Facility that under law is to be charged back to the counties shall be paid from the county general fund ~~and not the county welfare fund or the county family and children's fund,~~ unless otherwise provided by law.

SECTION 14. IC 12-19-1-21 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: **Sec. 21. Notwithstanding any other law, after December 31, 1999, a county may not impose any of the following:**

(1) A property tax levy for a county welfare fund.

(2) A property tax levy for a county welfare administration fund.

(3) A property tax levy for a county family and children's fund.

SECTION 15. IC 12-19-1-22 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: **Sec. 22. (a) All bonds issued and loans made under IC 12-1-11 (before its repeal) or this article before January 1, 2000:**

(1) are direct general obligations of the county issuing the

bonds or making the loans; and

(2) are payable out of unlimited ad valorem taxes that shall be levied and collected on all taxable property within the county.

(b) Each official and body responsible for the levying of taxes for the county must ensure that sufficient levies are made to meet the principal and interest on the bonds and loans at the time fixed for the payment of the principal and interest, without regard to any other statute. If an official or a body fails or refuses to make or allow a sufficient levy required by this section, the bonds and loans and the interest on the bonds and loans shall be payable out of the county general fund without appropriation.

SECTION 16. IC 12-19-7-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 3. (a) A family and children's fund is established in each county. ~~The fund shall be raised by a separate tax levy (the county family and children property tax levy) that:~~

~~(1) is in addition to all other tax levies authorized; and~~

~~(2) shall be levied annually by the county fiscal body on all taxable property in the county in the amount necessary to raise the part of the fund that the county must raise to pay the items, awards, claims, allowances, assistance, and other expenses set forth in the annual budget under section 6 of this chapter.~~

(b) ~~The tax imposed under this section shall be collected as other state and county ad valorem taxes are collected.~~ **Notwithstanding any other law, after December 31, 1999, a county may not impose a property tax levy for the family and children's fund.**

(c) The following shall be paid into the county treasury and constitute the family and children's fund:

~~(1) All receipts from the tax imposed under this section.~~

~~(2)~~ **(1)** All ~~grants-in-aid,~~ **money allocated by the division to the county** whether received from the federal government or state government.

~~(3)~~ **(2)** Any other money required by law to be placed in the fund.

(d) The fund is available for the purpose of paying expenses and obligations set forth in the annual budget that is submitted and approved.

SECTION 17. THE FOLLOWING ARE REPEALED [EFFECTIVE JANUARY 1, 2000]: IC 6-1.1-18.6; IC 6-1.1-17-18; IC 6-3-2.5-1; IC 6-3-2.5-10; IC 12-13-9-4; IC 12-19-3; IC 12-19-4; IC 12-19-5; IC 12-19-7-4; IC 12-19-7-5; IC 12-19-7-9; IC 12-19-7-10; IC 12-19-7-16; IC 12-19-7-17; IC 12-19-7-18; IC 12-19-7-19; IC 12-19-7-20; IC 12-19-7-21; IC 12-19-7-22; IC 12-19-7-23;

IC 12-19-7-24; IC 12-19-7-25; IC 12-19-7-26; IC 12-19-7-27; IC 12-19-7-28; IC 12-19-7-29; IC 12-19-7-30; IC 12-19-7-31; IC 12-19-7-32; IC 12-19-7-33.

SECTION 18. [EFFECTIVE JULY 1, 1999] **(a) Notwithstanding the January 1, 2000, amendment of IC 12-19-7 by this act, each county:**

(1) shall in 1999 adopt a county family and children's budget for 2000;

(2) shall in 1999 determine the property tax levy under IC 12-19-7 that would have been imposed in 2000 if those provisions had not been repealed by this act;

(3) is responsible in 2000 for providing all family and children's services, programs, and activities that were funded in 1999 from the county family and children's fund (or from the county general fund if the county paid for family and children's services, programs, and activities from the county general fund in 1999); and

(4) is entitled to a reimbursement under this SECTION for expenses incurred in providing the services, programs, and activities described in subdivision (3).

(b) Notwithstanding any other law, after December 31, 1999, a county may not impose any of the following:

(1) A property tax levy for a county welfare fund.

(2) A property tax levy for a county welfare administration fund.

(3) A property tax levy for a county family and children's fund.

(c) Before January 1, 2000, the board of tax commissioners shall for each county certify to the budget agency an estimate of the gross tax levy that would have been imposed in 2000 in the county under IC 12-9-7 if that provision had not been amended by this act. This amount is the county's estimated welfare property tax replacement distribution. The estimate under this subsection shall be made without regard to any homestead credits or property tax replacement credits that will applied to property taxes in the county in 2000.

(d) Before January 15, 2000, the auditor of state shall distribute to each county treasurer from the state general fund one-fourth (1/4) of the estimated welfare property tax replacement distribution for 2000 for that county. Before March 1, 2000, the state board of tax commissioners shall for each county certify to the budget agency a revised estimate of the tax levy that would

have been collected in 2000 in the county under IC 12-9-7 if that provision had not been amended by this act. Before April 1, 2000, the auditor of state shall distribute to each county treasurer from the state general fund an amount equal to one-fourth (1/4) of the revised estimated welfare property tax replacement distribution for 2000 for that county adjusted as follows:

(1) If the difference between:

(A) the distribution made under this subsection to the county in January, 2000; minus

(B) one-fourth (1/4) of the revised estimated welfare property tax replacement distribution for 2000 for that county;

is positive, the auditor of state shall subtract the amount determined under this subdivision from the county's distribution.

(2) If the difference between:

(A) the distribution made under this subsection to the county in January, 2000; minus

(B) one-fourth (1/4) of the revised estimated welfare property tax replacement distribution for 2000 for that county;

is negative, the auditor of state shall add an amount equal to the absolute value of the amount determined under this subdivision to the county's distribution.

On July 1, 2000, and October 1, 2000, the auditor of state shall distribute to each county treasurer from the state general fund one-fourth (1/4) of the revised estimated welfare property tax replacement distribution for 2000 for that county.

(e) All distributions provided for in this SECTION shall be made on warrants issued by the auditor of state drawn on the treasurer of state.

(f) The amounts necessary to make the distributions of welfare property tax replacement credits required by this SECTION are appropriated from the state general fund.

(g) This SECTION expires January 1, 2002.

SECTION 19. [EFFECTIVE JULY 1, 1999] **(a) The state board of tax commissioners shall adjust each county's maximum permissible property tax levy under IC 6-1.1-18.5 for property taxes payable in 2000 and thereafter to reflect the repeal of IC 12-19-4 by this act. The state board of tax commissioners shall decrease each county's maximum permissible property tax levy under IC 6-1.1-18.5 by the amount of property taxes imposed in the**

county under IC 12-19-4 in 1999. For each county that paid for family and children's services, programs, and activities from the county general fund in 1999, the state board of tax commissioners shall also decrease the county's maximum permissible property tax levy under IC 6-1.1-18.5 for property taxes payable in 2000 by the amount of property taxes imposed in 1999 in the county for the general fund to pay for family and children's services, programs, and activities.

(b) This SECTION expires January 1, 2001.

SECTION 20. [EFFECTIVE JANUARY 1, 1999 (RETROACTIVE)] **IC 6-3-1-3.5, as amended by this act, applies to taxable years beginning after December 31, 1998.**

SECTION 21. [EFFECTIVE JULY 1, 1999] **IC 6-1.1-18.5-2, as amended by this act, applies to maximum property tax levies after 1999.**

SECTION 22. **An emergency is declared for this act.**